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American Defense Officials Emphasize U.S. Commitment To Asian Security

Washington's efforts to underscore the U.S. commitment to Asia in a post-Cold War world continued in late November with visits to Japan and South Korea by Secretary of Defense Richard Cheney and Gen. Colin Powell, chairman of the joint chiefs of staff. Their discussions came on the heels of mid-November meetings in Tokyo and elsewhere in the region by Secretary of State James Baker and U.S. Trade Representative Carla Hills (see JEI Report No. 44B, November 22, 1991).

Gen. Powell's November 18 meetings with Prime Minister Kiichi Miyazawa, Adm. Makoto Sakuma, chairman of the Self-Defense Forces joint staff council, and others were particularly noteworthy as this was his first visit to Japan as chairman of the U.S. armed forces. Given his stature in the American military -- as well as the enhanced prestige he has enjoyed for his leadership role in the Persian Gulf War -- Gen. Powell's one-on-one discussions with Japanese

- A strong system of bilateral security arrangements;
- A modest but capable forward deployment of U.S. forces;
- A sufficient overseas base structure;
- Assumption by U.S. allies in Asia of greater responsibility for their own defense; and
- Greater complementarity in defense cooperation, involving joint training and the use of interoperable equipment.

"[These] are powerful principles for security in Asia," Mr. Cheney told his audience. "All [of the principles] are well-rooted in practice, yet flexible enough to accommodate the changes we can expect in the years ahead." Under the rubric of greater defense burdensharing by U.S. allies, the defense secretary said, Washington expects Tokyo to buy more American-made military hardware to facilitate cooperation in regional defense activities. This politely worded expectation may be a harbinger of more insistent future demands from American legislators who are frustrated by the bilateral trade imbalance and U.S. competitiveness problems as well as fearful of a "technology grab" by Japanese companies involved in licensed production or joint development of advanced weapons systems with U.S. defense contractors.

The defense secretary also praised the recently concluded five-year host-nation support agreement, in which Japan agreed to pay 73 percent of the nonsalary costs of stationing U.S. troops in Japan. Referring to the loss of U.S. bases in the Philippines, Mr. Cheney sought to reassure the Japanese government about the potential local impact. (A volcanic eruption last June forced the closure of Clark Air Base, and the Philippines Senate later rejected a contract that would have allowed the U.S. naval station to stay in Subic Bay.) "We have no desire to increase the burden on Japan as a result of developments in the Philippines," Mr. Cheney said. "There may be some additional units temporarily assigned to places like Kadena [air base in Okinawa], but only with the concurrence of the Japanese government."

The defense secretary also asked for Japanese cooperation in helping Moscow convert Soviet defense plants to civilian use. The domestic turmoil in the Soviet Union warrants close attention, he reportedly said. While Washington was pleased that Soviet President Mikhail Gorbachev responded favorably to President Bush's announcement last September of drastic unilateral reductions in nuclear arms, Mr. Cheney indicated that some U.S. quarters are concerned that the current lack of political coordination and severe economic problems in the 12 Soviet republics may impede central government efforts to reduce the Soviet nuclear arsenal. Other areas where Mr. Cheney said Tokyo could play an important regional leadership role include overseeing implementation of the Cambodian peace accord as well as pressuring Vietnam to resolve questions on the whereabouts of Americans listed as missing in action in the Vietnam War.

Barbara Wanner

Japanese Banks: Riding High Toward A Precipice?

Conflicting reports on the financial health of Japanese banks have surfaced over the past several months and generated debate over the soundness of

the entire Japanese financial sector. On the positive side of the ledger most Japanese banks reported improved profits for the six months ending September 30; that news sharply contrasts with manufacturers' reports of lower earnings. The reported increases in nonperforming bank loans, however, present a bleak picture, as does the high potential for real estate loan defaults. Acknowledging the clouded outlook, foreign credit-rating companies have downgraded the ratings of many top Japanese banks over the past year. An increasing number of Japanese analysts and policymakers are worried that ailing banks will hobble economic growth.

According to data gathered by Japan's top economic daily, Nihon Keizai Shimbun, Japan's 11 nationwide commercial banks posted an average 17.3 percent increase in pretax profits and an average 8.4 percent gain in aftertax profits in the April-September 1991 period even though their operating income dropped by 2.2 percent on average (see Table). Analysts point to a wider spread between the banks' costs of raising funds and their lending rates as the primary source of higher earnings.

Since January banks have lowered the rate of interest they pay on certificates of deposit by an average 1.39 percentage points. (CD rates are a benchmark instrument in Japan's money markets and largely determine the banks' costs of raising funds.) Over the same period banks have cut the interest they charge on loans to their best corporate customers by only 0.875 percentage point. Until the decline in the prime lending rate equals the reduced CD rate the interest rate gap will continue to boost bank profits.

The interest rate spread, however, is not the whole explanation. Only four of the 11 nationwide commercial banks posted operating revenue gains; of these four, three showed increases of less than 1 percent. Changes in operating revenues seem to have had little relation to changes in profits, according to the data for the first half of FY 1991. Dai-Ichi Kangyo Bank, Ltd., for example, posted a 4.3 percent drop in operating income but a 23.4 percent increase in pretax profits. The contribution to profits of nonoperating revenues remains important, if not vital, to banks. Despite this year's dismal performances by the Japanese stock and bond markets, banks have continued to actively manage their investment portfolios to generate profits. There is some question, though, whether they can maintain profit growth in the face of a number of negative factors.

Japanese banks' investment portfolios are important for several reasons. By selling their holdings they can realize profits and pad their financial results. A portion of latent securities portfolio profits also can be counted toward meeting the stringent 1993 capital-asset ratios set by the Bank for International Settlements. As shown in the Table, the latent securities profits of banks suffered heavily in FY 1990 and recovered only slightly in FY 1991's first half. The banks' BIS capital-asset ratios track the movement of their latent securities profits. A bearish stock market not only further reduces the value of latent securities profits but also makes it more difficult for firms to realize those profits if needed, since selling in a depressed market only adds to downward pressures. Given the weak-kneed performance of Japanese equity and bond markets in 1991, many analysts view the reliance by Japanese banks on their investment portfolios as a liability.

Japanese and foreign financial analysts increasingly are concerned that the quality of banks' loan portfolios also may be an Achilles' heel. The value

Business Results of Selected Major Japanese Banks, First Half FY 1989-FY 1991

(in billions of yen)

	Operating Revenues	Net Profits	Total Assets	Latent Stock Profits	Nonperforming Loans	BIS Capital Ratio
Commercial Banks						
Dai-Ichi Kangyo Bank, Ltd.						
FY 1989	Y1,767.6	Y80.2	Y60,193.9	Y4,852.9	Y346.6	8.28%
FY 1990	2,224.2	53.7	65,080.6	1,780.0	247.4	7.30
FY 1991	2,129.1	92.6	62,503.1	2,219.6	n.a.	8.38
Mitsui Taiyo Kobe Bank, Ltd.						
FY 1989	1,612.2	64.3	57,308.9	5,731.6	367.6	7.05
FY 1990	2,157.2	44.1	61,642.1	2,389.6	263.9	7.22
FY 1991	2,094.7	80.0	60,152.5	2,820.7	n.a.	7.57
Sumitomo Bank, Ltd.						
FY 1989	1,829.5	97.1	56,239.7	3,919.3	391.2	8.44
FY 1990	2,315.4	70.1	60,914.9	1,621.1	299.4	7.81
FY 1991	2,206.2	138.7	59,906.0	1,913.8	n.a.	8.94
Mitsubishi Bank, Ltd.						
FY 1989	1,652.2	80.4	52,774.3	4,544.6	376.1	8.46
FY 1990	2,027.0	53.0	58,088.0	1,875.6	260.3	8.40
FY 1991	2,028.1	96.2	58,445.9	2,381.9	n.a.	8.71
Fuji Bank, Ltd.						
FY 1989	1,557.9	83.7	55,681.8	4,322.3	335.3	8.24
FY 1990	1,998.9	60.7	58,100.4	1,633.1	247.0	8.01
FY 1991	1,975.9	112.4	57,839.2	1,944.1	n.a.	8.72
Sanwa Bank, Ltd.						
FY 1989	1,607.4	80.2	52,919.3	4,163.1	322.5	8.45
FY 1990	2,045.6	61.3	59,013.2	1,728.0	237.9	7.50
FY 1991	2,038.0	117.4	55,738.0	2,077.7	n.a.	8.50
Tokai Bank, Ltd.						
FY 1989	985.8	34.9	34,332.7	3,205.8	304.6	7.72
FY 1990	1,337.0	30.5	36,506.3	1,454.2	209.8	7.87
FY 1991	1,360.8	48.1	35,915.3	1,668.9	n.a.	8.34
Kyowa Saitama Bank, Ltd.						
FY 1989	830.6	36.6	30,345.0	3,181.4	193.7	8.50
FY 1990	1,166.5	28.5	32,669.6	1,358.5	136.5	8.10
FY 1991	1,063.4	63.0	30,235.7	1,487.4	n.a.	8.90
Bank of Tokyo, Ltd.						
FY 1989	954.9	32.6	29,610.6	1,882.9	679.1	8.02
FY 1990	1,129.5	26.0	31,211.5	522.6	502.2	7.86
FY 1991	1,138.0	81.5	29,783.1	832.3	n.a.	8.50
Daiwa Bank, Ltd.						
FY 1989	531.8	24.8	17,183.4	1,978.3	98.1	8.41
FY 1990	718.2	19.0	17,969.6	983.2	61.2	8.20
FY 1991	692.5	32.9	18,091.0	1,101.9	n.a.	9.01
Hokkaido Takushoku Bank, Ltd.						
FY 1989	313.6	11.3	10,909.0	1,017.2	105.8	8.33
FY 1990	377.5	9.0	11,277.8	355.5	451.8	7.60
FY 1991	379.4	16.6	11,017.4	480.7	n.a.	8.80
Long-Term Credit Banks						
Industrial Bank of Japan, Ltd.						
FY 1989	1,265.1	51.1	40,533.5	5,518.5	247.7	7.80
FY 1990	1,527.3	38.1	44,956.7	1,990.0	193.0	7.40
FY 1991	1,467.9	87.3	42,615.7	1,990.0	n.a.	9.39
Long-Term Credit Bank, Ltd.						
FY 1989	891.5	36.4	26,819.5	4,007.0	294.3	8.23
FY 1990	1,095.6	33.0	30,447.2	1,553.4	223.5	7.60
FY 1991	1,060.0	43.6	30,371.5	2,042.6	n.a.	8.56
Nippon Credit Bank, Ltd.						
FY 1989	546.4	22.3	17,080.2	2,120.2	167.6	7.30
FY 1990	699.0	12.4	13,427.9	610.0	125.6	7.70
FY 1991	688.7	27.4	18,345.8	930.1	n.a.	8.03

Source: Japan Economic Journal, December 1, 1990, and Nikkei Weekly, November 30, 1991. Reprinted with permission, Nihon Keizai Shimbun America, Inc., New York, New York.

of nonperforming loans reported by major banks in FY 1990 fell. This fiscal year, however, the fallout from the unwinding of the overheated domestic real estate market is beginning to appear. Overall bankruptcies are up sharply in 1991; real estate-related failures lead the way. While banks list only a relatively small portion of their total loans as real estate-linked (usually around 10 percent), the figure actually is much higher because many corporate borrowers have used the lent funds to speculate in land. The Bank of Japan successfully has reined in real estate speculation through tight credit controls, but the speculative excess has not yet been drained from the system. A major concern is that rapid deflation of real estate prices would risk widespread default by borrowers, perhaps dragging down lenders with them. BOJ as well as the Ministry of Finance hope to avoid this worst-case scenario by gradually easing credit to the real estate market, but they are walking a very thin line. Most observers currently predict that, beginning in 1992, bank profits will begin to weaken under the impact of loan defaults.

Jon Choy

Japan's New Census Of Manufactures Reflects Currency Changes Since 1985

Like geologists, economists tend to see structures as undergoing rapid change where others observe what appears to be an unaltered landscape or, at most, glacial movement. Japan, with its active volcanoes and vibrant economy, provides an example for both the geologist and the economist. To some analysts Japan's persistently high trade surplus appears to be evidence that the landscape has not changed much; many observers have argued, for example, that policy measures initiated in the late 1980s had no impact on the Japanese economy. The recently released Census of Manufactures for 1990, however, points to structural change that, in part, reflects new patterns arising in the wake of the yen's post-1985 appreciation.

The Ministry of International Trade and Industry annual census of manufacturers provides output, employment and investment data on manufacturing workplaces having four or more employees as of December 31 of each year. (For further details about the census, see JEI Report No. 23A, June 17, 1988.) For example, shipments, calculated in nominal terms, rose 8.1 percent in 1990 from the year before to Y323 trillion ($2.4 trillion at Y135=$1.00).

The hundreds of industries covered by the census are classified into three groups: basic, assembly and other industries. These three groups enter into trade in substantially different ways. Basic industries, where trade is roughly balanced, import and export about 7 percent of their total output in aggregate. Processing and fabricating industries, by contrast, sell abroad nearly a quarter of their output but purchase very little from overseas. The third group of industries manufacture products that are neither exported nor imported in large amounts.

The yen's appreciation, which was virtually continuous from late 1985 to early 1988, played a role in stopping a long-run decline in the share of output accounted for by Japan's basic industries relative to processing and fabricating industries (see Table). From 1985 through 1988 basic industries like steel and chemicals grew in relative importance, while such assembly industries as

Trends by Industry Groups in Japan, 1980-90

(percent of total value added in manufacturing)

	Basic Industries	Processing and Fabricating Industries	Other Industries
1980	41.3%	34.4%	24.2%
1981	39.0	36.3	24.6
1982	38.3	37.0	24.7
1983	37.2	38.1	24.7
1984	37.1	39.4	23.5
1985	36.4	40.3	23.2
1986	36.8	38.8	24.4
1987	38.0	37.5	24.4
1988	38.0	38.5	23.5
1989	37.7	39.6	22.7
1990	36.8	40.7	22.5

Note: Basic industries include lumber and wood products; pulp, paper and paper products; chemicals and related products; petroleum and coal products; plastic products; rubber products; nonmetallic mineral products; steel; nonferrous metals; and fabricated metal products.

Processing and fabricating industries include nonelectric machinery, electric machinery, transportation equipment and precision instruments.

Other industries include food products; tobacco products, beverages, and feed; textile mill products; apparel and made-up textile products; furniture and fixtures; printing and publishing; leather and leather products; and other manufacturing.

Source: Ministry of International Trade and Industry

motor vehicles and consumer and industrial electronics declined. In short, the effect of the strong yen during this period was to redirect resources in manufacturing away from Japan's export-oriented industries.

Since 1989 the yen on average has been below the levels it reached in 1988. The two main industry categories have reversed direction again, with the value added by assembly industries growing relative to that of basic industries. (Value added roughly corresponds to the value of production less the cost of raw materials as well as depreciation charges.) Even "other" industries, which include most firms making products for daily consumption, have followed a pattern that reflects, in part, the ebb and flow of the Japanese currency. This group gained stature in response to the recession induced in part by the high yen in 1986; however, its relative importance eroded as investment spending at home accounted for an ever-larger proportion of the Japanese economy in the 1988-90 period.

In the early stages of the yen's appreciation some Japanese economists worried that employment in manufacturing would drop dramatically as firms moved

their operations offshore. This "hollowing out" hypothesis appears credible since Ministry of Finance data show that the level of Japanese direct investment in overseas manufacturing soared during this period, jumping from an aggregate $24.4 billion on March 31, 1986 to a cumulative $81.6 billion on March 31, 1991. Employment in Japan's factories, however, did not follow the script. According to the latest census of manufactures, domestic manufacturing-sector employment peaked at 10.9 million workers in 1985 and 1986 and then dropped slightly to 10.7 million in 1987 before expanding to 11.2 million in 1990. This expansion helps explain the labor shortage that Japan has experienced since 1988. Normally, analysts would not expect substantial growth in the ranks of manufacturing-sector workers in a highly developed economy such as Japan's, especially since manufacturing firms have to compete in the labor market with growing services industries, many of which are labor intensive. Since both types of industries experienced increased demand for workers, a labor shortage was all but inevitable.

What of the future? The 1990 data may mark the end of another era. As growth has slowed this year in Japan, the manufacturing sector has weakened substantially by most of the measures included in the census of manufactures. Next year's census, which will be a snapshot as of December 31, may well reveal flat output levels, although manufacturing-sector employment probably will be up again. Over the next five years, however, employment in production industries may fall, given minimal immigration and 20 years of low birth rates. In short, the mountains of Japan's manufacturing sector are moving and will leave a dramatically altered landscape within the decade.

Douglas Ostrom

Japan Joins Call For Drift-Net Fishing Moratorium

A compromise worked out between Japan and the United States is expected to result in a worldwide moratorium on the use of large-scale drift nets on the open seas as of December 31, 1992 (see JEI Report No. 40B, October 25, 1991). The compromise, formally introduced by a U.S. representative at the United Nations December 2, revises a more stringent American call for a ban on the use of drift nets and a more accommodating Japanese recommendation that conservation measures be implemented to offset problems associated with incidental catches from drift nets. The incidental catch from the use of 30-mile or so lengths of netting by Japan's squid fleet has been estimated at 28 percent of the total catch, although some measures show a much greater percentage. Environmentalists say that the indiscriminate netting traps far more than the intended target and poses a threat to endangered species, such as green sea turtles, and possibly other fish, marine mammal and seabird stocks (see Table).

By going along with the revised U.N. measure Japan has agreed to cut by 50 percent its use of large-scale drift nets by June 30, 1992 and to phase out the use of the nets entirely by yearend 1992. One Japanese official indicated that, although the U.N. measure currently does not define "large-scale pelagic" nets, Japanese fleets on the open seas most likely will not adopt the shorter drift nets employed in domestic waters by European and American fleets. The 1989 Wellington Convention that called for an end to large-scale drift-net fishing in the South Pacific set forth a 1.55-mile-long drift-net limit. Since the smaller nets result in a much-reduced haul, the official said he expected

Catch and By-Catch of North Pacific Squid Drift-Net Operations, 1990

(number)

Species	Japan	South Korea	Taiwan
Neon Flying Squid	7,939,252	5,375,205	2,409,774
Other Squid	2,864	16,639	84
Salmon	9,729	74	1
Shark	89,568	21,460	6,480
Tuna	252,988	60,371	63,294
Pomfret	3,225,084	201,753	47,617
Northern Right Whale Dolphin	840	54	7
Pacific White-Sided Dolphin	459	29	5
Other Dolphin and Porpoise	437	32	6
Leatherback Turtle	27	2	--
Loggerhead turtle	1	--	--
Green Turtle	--	1	1
Seabirds	30,464	1,209	230

Notes: The May-December 1990 observations are not for direct comparisons since Japanese fishermen put far more observers on more vessels than did either of the other fleets.

For Japan the 1990 observations summarize those made by 35 Americans, 10 Canadians and 29 Japanese on 75 squid drift-net vessels. For South Korea the observations are those noted by 11 U.S. observers on 11 commercial drift-net operations and 13 Korean observers who monitored 13 operations. The observations listed for Taiwan are from 14 vessels monitored by 12 U.S. observers and nine vessels surveyed by Taiwanese observers.

Source: From reports of the national fisheries agencies of Japan (June 10, 1991), South Korea (September 20, 1991) and Taiwan (September 10, 1991) in cooperation with Department of Commerce, National Marine Fisheries Service, and Department of Interior, Fish and Wildlife Service.

Japanese fishermen to either develop a new fishing method or look anew at old techniques.

In crafting the compromise, which suggests a moratorium -- rather than Washington's preference for a ban -- on the use of large-scale drift nets, Tokyo accommodated international concerns rather than the interests of its domestic fishing fleet. The head of the Ministry of Agriculture, Forestry and Fisheries reportedly told the cabinet that the decision was shaped by other nations' responses to drift-net fishing and Japan's "position in the international community." Before announcing its decision to cut use of the drift nets, Japan was a primary target of pending congressional legislation that would impose trade sanctions on any country that violates the U.N. drift-net fishing resolution. Chief Cabinet Secretary Koichi Kato also referred to the external

pressure and Japan's previously held view -- that more study is needed to determine whether drift-net fishing depletes or threatens species survival -- when he responded to a question at a news conference on whether drift-net fishing poses an environmental hazard. "There are various arguments about conserving resources," he said. "Our country was in a very tough position."

To help the domestic industry adjust to the U.N. measure, which is expected to pass by yearend, MAFF plans to request an as-yet undetermined amount of money to retrain or otherwise compensate the 10,000 workers employed in drift-net fishing in the North Pacific and the 50,000 people who process the squid, tuna and salmon caught there. By next June the 600-vessel fleet most likely will be trimmed.

Some reports say local fishing firms are confident of their ability to provide the Japanese population with one of their diet staples by fishing in domestic waters and continued international operations, but others relay severe criticism. Given the reduced profits of some Japanese fishing companies in the past year, the call might be loud in Tokyo for help in researching and developing new fishing methods, particularly from Japanese fishermen who do not want to be trained for new jobs. Tokyo's reaction to what plays internationally as an environmental problem but domestically as an economic problem may be of interest to American loggers in the Pacific Northwest, who face similar problems with calls to protect the spotted owl.

Pat Murdo

Notes

Satellites - Nippon Telegraph and Telephone Corp. has tapped Space Systems/Loral Inc. as the prime contractor for its pair of N-STAR communications satellites (see JEI Report No. 39B, October 18, 1991). The selection of what had been Ford Aerospace Corp. should work to the advantage of Mitsubishi Electric Corp. MELCO, which had teamed up with FAC to build the first three generations of communications satellites for NTT, was the big loser when Tokyo was forced to scrap the follow-on CS-4 project in the spring of 1990 as part of an agreement with Washington on nondiscriminatory procurement procedures for publicly funded commercial satellites. Along with Aerospatiale S.A. of France (one of three European minority investors in Space Systems/Loral) and Germany's Messerschmitt-Bolkow-Blohm, MELCO is part of a long-standing Space Systems/Loral-led satellite consortium. Toshiba Corp. and NEC Corp., Japan's two other satellite builders, also should get some N-STAR subcontracts.

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The views expressed in this report are those of the authors and do not necessarily represent those of the Japan Economic Institute.

Trade and Payments Data

(in millions of dollars unless otherwise indicated)

	1989	1990	January-September 1990	January-September 1991	July 1991	August 1991	September 1991
Japan's Balance of Payments							
Trade Balance	$76,917	$63,528	$45,156	$71,917*	$8,644*	$8,246*	$10,946*
Exports (f.o.b.)	269,570	280,374	201,470	223,899*	25,740*	24,202*	26,989*
Imports (f.o.b.)	192,653	216,846	156,314	151,982*	17,096*	15,956*	16,043*
Current Account Balance	57,157	35,761	27,597	48,273*	5,035*	5,484*	8,830*
Long-Term Capital (net)	-89,246	-43,586	-42,318	33,489*	3,984*	11,844*	14,057*
Overall Balance	-33,286	-7,234	-10,100	48,815	6,281	19,148	15,942
International Reserves (end of period)	84,895	77,053	75,323	66,912	67,521	66,888	66,912
Japan's Customs Clearance Trade							
Trade Balance	64,328	52,149	41,241	54,411	6,665	5,749	9,684
Exports (f.o.b.)	275,175	286,948	206,126	229,479	26,620	24,813	27,658
Cars	38,804	41,348	29,928	32,550	3,762	3,446	3,892
Steel	14,789	12,509	8,991	10,028	1,177	1,085	1,122
Imports (c.i.f.)	210,847	234,799	164,884	175,067	19,955	19,064	17,974
Crude Oil	21,544	31,584	18,316	21,887	2,040	2,225	2,184
Manufactured Products	106,111	118,028	85,026	88,868	10,480	9,834	9,522
Japan-U.S. Trade							
Trade Balance	44,943	37,954	27,253	26,501	3,002	2,975	4,584
Exports (f.o.b.)	93,189	90,322	65,542	66,349	7,659	7,518	8,539
Imports (c.i.f.)	48,246	52,369	38,289	39,848	4,657	4,543	3,955
Yen-Dollar Exchange Rate (average for period)	Y137.96	Y144.79	Y149.46	Y136.23	Y138.01	Y136.89	Y134.58
U.S. Trade							
Trade Balance	-109,399	-101,718	-72,894	-46,556*	-7,776	-7,440	-6,852*
Exports (f.a.s.)	363,812	393,592	292,126	312,123*	33,507	33,584	34,584*
Imports (Customs)	473,211	495,311	365,020	358,679*	41,283	41,024	41,435*
U.S.-Japan Trade							
Trade Balance	-49,059	-41,105	-29,517	-30,923*	-3,797	-3,737	-4,183*
Exports (f.a.s.)	44,494	48,580	35,595	35,979*	3,851	4,021	3,662*
Imports (Customs)	93,553	89,684	65,112	66,902*	7,649	7,757	7,844*

*Preliminary

STATISTICAL SUPPLEMENT

STATISTICAL SUPPLEMENT

Japanese Economic Indicators

(percent change from year-earlier period unless otherwise indicated)

	1989	1990	January-September 1990	January-September 1991	July 1991	August 1991	September 1991
Discount Rate (end of period)	4.25%	6.0%	6.0%	5.5%	5.5%	5.5%	5.5%
Outstanding Money Supply	9.9%	11.7%	12.2%	4.1%	3.4%	2.7%	2.2%
Industrial Production	6.1%	4.6%	3.7%	3.3%	2.5%	0.1%	0.9%
Manufacturing Operating Rate	2.2%	2.3%	1.6%	-0.2%	-0.2%	-3.4%	-2.8%
Number of Bankruptcies	-28.5%	-10.6%	-20.6%	64.0%	81.3%	74.3%	59.1%
Residential Construction Starts	-1.3%	2.7%	4.1%	-19.1%	-21.0%	-22.8%	-26.6%
Job Openings to Applications (ratio)	1.26	1.40	1.40	1.43	1.43	1.37	1.34
Nominal Wages	4.1%	4.7%	4.5%	3.9%	3.3%	6.7%	3.2%
Manufacturing Labor Productivity	6.2%	4.2%	2.2%*	4.8%*	n.a.	n.a.	n.a.
Wholesale Prices	2.5%	2.0%	2.1%	0.7%	0.4%	0.1%	-0.4%
Consumer Prices	2.2%	3.1%	2.9%	3.4%	3.5%	3.3%	2.7%
Yen-Based Export Prices	4.4%	2.1%	4.2%	-4.4%	-4.2%	-4.3%	-1.8%
Yen-Based Import Prices	7.7%	8.6%	8.0%	-5.1%	-5.7%	-7.8%	-11.9%

*Through June of each year only.

For Japan's latest GNP figures, see JEI Report No. 36B, September 27, 1991.